



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Fifth District

July 28, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE - FY 2009-10 STATE BUDGET

On July 24, 2009, the California State Legislature approved a package of 27 bills to revise the FY 2009-10 budget enacted in February. The Approved Budget contains no new taxes and addresses the shortfall by enacting:

- \$15.3 billion in reductions to education, health and human services, transportation, public safety and other programs;
- \$4.0 billion in revenue solutions such as proposals to accelerate collection of Personal Income Tax withholdings and corporate estimated tax payments and the sale of a portion of the State Compensation Insurance Fund;
- \$1.935 billion in borrowing from local governments pursuant to the Local Government Revenue Protection Act (Proposition 1A of 2004);
- \$1.2 billion from the deferral of State employee paychecks from June 2010 to July 2010.

A proposal to divert the local share of gasoline tax disbursements from cities and counties in FY 2009-10 and FY 2010-11 totaling \$1.7 billion did not pass in the Assembly. In addition, a proposal to authorize oil drilling off the Santa Barbara coast, which would have generated \$100 million to the State General Fund, failed to pass the

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Assembly. As a result, a \$1.1 billion deficit remains in the budget. The State Controller, State Treasurer and Department of Finance are assessing the current cash flow situation based on the approved budget package.

The Governor is expected to sign the budget today, Tuesday, July 28, 2009, and to line-item veto portions of the budget to reduce the remaining \$1.1 billion deficit.

Estimated Impact on the County

Based on our preliminary review of the budget bill language available, **at this time we estimate the loss to the County would be \$189.8 million in FY 2009-10. The Legislature also approved a proposal which allows the State to borrow \$360.9 million in property taxes over a three-year period pursuant to suspension of Proposition 1A of 2004. In addition, the County faces potential losses from the proposed time extensions for redevelopment projects which equate to a \$313.7 million loss for a one-year time extension.**

The major program reductions affecting County programs include:

- \$114.2 million reduction to the CalWORKs Single Allocation funds;
- \$36.0 million loss from the elimination of funds for the Mental Health Managed Care Program;
- \$22.1 million loss from the elimination of the Proposition 36 Substance Abuse and Crime Prevention Program Act of 2000;
- \$12.6 million loss from court security funding and elimination of reimbursement of retiree health care costs for court security personnel;
- \$12.4 million loss from the deferral of AB 3632 Program payments for services provided to Severely Emotionally Disturbed children;
- \$7.1 million loss from the reduction in the Drug Medi-Cal Program funding;
- \$3.7 million loss from the reduction of HIV/AIDS Treatment and Prevention Program funds; and
- \$3.7 million loss from the suspension of various SB 90 Mandate Claims.

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Attachment I contains the estimated County impact of the Governor's May Revision, the Conference Committee actions, and the Final Budget Agreement. Attachment II includes the programmatic impact.

As more information becomes available, we will continue to keep you advised.

WTF:RA
MR:IGEA:lm

Attachments

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations

ESTIMATED IMPACT TO LOS ANGELES COUNTY FROM THE FY 2009-10 STATE BUDGET PROPOSALS

<u>Programs:</u>	<u>Governor's May Revision Proposals</u>	<u>Budget Conference Committee (BCC)</u>	<u>Final Legislative Budget ⁽¹⁾</u>
<u>Health</u>			
Medi-Cal Eligibility for Legal Immigrants	(1,100,000)	0	0
Healthy Families Program Reduction	(1,500,000)	0	0 ⁽²⁾
<u>Public Health</u>			
HIV/AIDS Treatment and Prevention	(5,890,000)	(5,700,000)	(3,700,000)
Alcohol and Other Drug Programs/Drug Medi-Cal Program	(3,900,000)	(7,100,000)	(7,100,000)
Proposition 36 Program/Offender Treatment Program	(27,000,000)	(22,100,000)	(22,100,000)
Maternal, Child and Adolescent Health Program Reductions	(1,366,000)	? ⁽²⁾	(597,000)
CalWORKs Substance Abuse Programs Funding Loss	(16,400,000)	0	0
<u>Mental Health</u>			
Mental Health Managed Care Program	(21,000,000)	(21,000,000)	(36,000,000)
Mental Health Services Act (Proposition 63) Funds	0 ⁽³⁾	—	—
Early Periodic Screening, Diagnosis and Treatment Funds	(7,000,000)	0	0
Elimination of the Healthy Families Program	(10,000,000)	0	0
CalWORKs Mental Health Services Funding Loss	(24,400,000)	0	0
Deferral of AB 3632 Program Payments	(12,400,000)	(12,400,000)	(12,400,000)
<u>Social Services</u>			
Reduced State Participation in IHSS Wages	26,100,000	0	0
IHSS Program - Reduction of Recipient Services	200,000,000	10,800,000	10,800,000 ⁽⁴⁾
CalWORKs Program Reform & Safety Net Proposals	(27,200,000)	0	0
CalWORKs Program Elimination	(389,800,000)	0	0
CalWORKs Single Allocation Loss from Program Elimination	(585,200,000)	0	0
CalWORKs Single Allocation Projected Reduction	0	(53,300,000)	(114,200,000) ⁽⁵⁾
CalWORKs Caseload Adjustment	0	131,000	131,000
Cash Assistance Program for Immigrants (CAPI)	(10,300,000)	0	0
Child Welfare Services Administration	(14,300,000)	0	0
Foster Care and Group Home Provider Rate Reductions	13,400,000	12,300,000	12,300,000
Adoptions Assistance Payments	0	100,000	100,000
Redirection of Sales Tax Realignment Funds	(234,706,000)	0	0
Elimination of Community Based Services Programs	(1,100,000)	(379,000)	(379,000)
Reduction in Transitional Housing Program Plus Funds	0	(314,000)	(314,000)
<u>Justice and Public Safety</u>			
Judicial Branch Reductions - Sheriff's Department Impact	0	0	(12,600,000)
<u>General Government</u>			
Suspension of SB 90 Mandate Claims	(16,853,000)	(28,577,000)	(3,700,000) ⁽⁶⁾
Subventions for Open Space (Williamson Act)	(36,000)	(36,000)	(7,000)
Reduction of Local Share of Gasoline Taxes - Public Works	(109,000,000)	(109,000,000)	0 ⁽⁷⁾
TOTAL	(\$1,280,951,000)	(\$236,575,000)	(\$189,766,000)

Variance from BCC	\$46,809,000
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Notes:

- (1) Estimated County impact does not include the State borrowing of \$301.9 million from the County General Fund and \$59.0 million from Special District Funds.
- (2) There is insufficient information to assess the County impact of this proposal.
- (3) There is no impact because voters rejected Prop. 1E which would have redirected Mental Health Services Act monies to fund State mental health costs.
- (4) Proposal would result in net County cost savings because of reduced IHSS recipient services.
- (5) Impact is based on the proposal to reduce the CalWORKs Single Allocation by \$37 million Statewide. It does not account the proposed May Revision increased allocation.
- (6) Estimate is based on FY 2007-08 SB 90 Mandate Claim amounts excluding law enforcement, Open Meeting Act, and election reimbursement claims.
- (7) The proposal to reduce the local share of gasoline taxes was part of the FY 2009-10 Final Budget Agreement but it died in the Assembly Floor on July 24, 2009.

This table represents the estimated loss/gain of State funds based upon the May Revision, Conference Committee and Final Legislative Budget. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.

FY 2009-10 Final Legislative Budget and Related Budget Trailer Bills

General Government

Proposal to Shift Funds from Redevelopment Agencies (RDAs). ABX4 26, the RDA Funding Shift Budget Trailer Bill, transfers \$1.7 billion in the current year and \$350 million in FY 2010-11 from redevelopment agencies to counties for allocation to K-12 schools and shifts an equivalent amount of existing property tax revenue from those schools into the Supplemental Revenue Augmentation Fund to offset State General Fund costs. RDAs may then extend their projects by one year, without making a finding of blight, when they meet their payment obligation for FY 2009-10. **It is estimated that the County General Fund would lose approximately \$313 million (net present value) in future years based on the one-year extension. Additionally, there would be impacts to non-General Fund entities for which the Board is the governing body, including the Fire District, the Flood Control District, and the County Public Library.**

ABX4 27, the RDA Securitization Budget Trailer Bill, which would have allowed time limit extensions on all redevelopment projects for 35 or 40 years (pre-1994 projects) without making a finding of blight in exchange for a transfer of property taxes to relieve the State's obligation to fund schools, did not pass the Assembly Floor. Based on previous estimates, the extension of all 300 projects in the County for 40 years would have diverted approximately \$10 billion, in present value, from the County General Fund to the RDAs.

Proposition 1A Suspension. ABX4 14, the Proposition 1A Suspension Budget Trailer Bill, allows the State to borrow \$1.935 billion from local governments through the suspension of the Protection of Local Government Revenues Act of 2004 (Proposition 1A). Pursuant to Proposition 1A, the State may borrow up to 8 percent of property tax revenues received by counties, cities, and special districts upon the Governor's declaration of a severe fiscal hardship and approval by a two-thirds vote of the Legislature. The bill language requires the State to repay these funds to local government agencies by June 30, 2013 with interest.

ABX4 15, the Proposition 1A Payback Budget Trailer Bill, includes a securitization mechanism that is intended to avoid any actual reductions to local governments. Under this mechanism, a joint powers authority would issue bonds backed by the State's repayment obligation to investors. The proceeds from the bond sale would be used to replace diverted property taxes from local governments and special districts that choose to participate.

Provisions of Proposition 1A in the State Constitution do not specify the proportionate share of the loan from local government agencies. However, based on property tax collections for FY 2008-09 and assuming that each jurisdiction will have to contribute

the maximum of 8 percent, we estimate an impact of at least \$301.9 million in property tax revenues for the County General Fund and additional losses of \$44.0 million to the Fire Department – Special Districts Fund, \$4.6 million to the Library Special District, and \$10.4 million to the County’s Special Districts for flood control, lighting, garbage disposal and water works for a total estimated County impact of \$360.9 million. Again, ABX4 15 the Proposition 1A Payback Budget Trailer Bill includes a securitization mechanism that is intended to avoid any actual reductions to the County of Los Angeles.

Suspension of SB 90 State Mandates. Bill ABX4 12, the General Government Omnibus Budget Trailer Bill, suspends a number of local government mandates with the exception of significant mandates of County interest including: 1) all election mandates; 2) the Open Meeting Act; and 3) the Sexually Violent Predator Program. The May Revision proposed to suspend almost all reimbursable mandates, except those related to public safety, law enforcement, and property tax distribution. **Based on the FY 2007-08 mandate claims reimbursements, the Auditor-Controller estimates that the proposed suspension of SB 90 Local Government mandates will result in an estimated County loss of \$3.7 million in FY 2009-10.**

Williamson Act Open Space Subventions. The FY 2009-10 Final Legislative Budget reduces subventions to local governments under the Williamson Act by 20 percent, for a State General Fund savings of \$6.9 million. Subventions are paid primarily to counties as an offset to the lost property tax revenues resulting from the reduced property tax assessment of land under Williamson Act and Open Space contracts. **This results in an estimated loss of \$7,200 to the County.**

Health

Medi-Cal “Unallocated” Reduction. The FY 2009-10 Final Legislative Budget adopts the May Revision proposal to reduce statewide funding for Medi-Cal by \$323.2 million identified as an “unallocated cut.” Details of the reductions are not available; therefore, it is unknown how this reduction would affect County operations and/or recipient services.

Medi-Cal Reduction Due to Increased Federal Funding. The FY 2009-10 Final Legislative Budget reduces up to \$1 billion from the State General Fund upon receipt of increased Federal funds for Medi-Cal. The Department of Health Services (DHS) indicates that this proposal will affect two of the proposed solutions to the Department’s projected budget deficit for FY 2009-10: 1) the Federal Medical Assistance Percentage increase on the Safety Net Care Pool Fund that DHS expected to receive from the American Recovery and Reinvestment Act of 2009, and 2) recapture of a portion of the \$360 million which remains in the current State Medi-Cal Waiver. **Because the State plans to retain 100 percent of these funds, DHS estimates the loss to the County to be \$70 million from FMAP and \$97 million from funds available under the existing Medi-Cal Waiver.**

Maximize Federal Share of Cost. ABX4 6, the Medi-Cal Restructuring and Managed Care Budget Trailer Bill, authorizes the California Department of Health Care Services (CDHCS) to maximize Federal funding by claiming Federal reimbursement for: 1) expenditures in programs funded by realignment funds including, but not limited to, the County Medical Services Program; 2) expenditures in programs funded by the County Mental Health Services Act; 3) other public expenditures; and 4) State-only funded programs. **According to CDHCS, this is the mechanism that the State intends to use to draw down the \$1 billion in increased Federal funds for Medi-Cal cited in the Medi-Cal Reductions discussion above.**

Medi-Cal Waiver. ABX4 6, the Medi-Cal Restructuring and Managed Care Budget Trailer Bill, adopts the Governor's proposal to require CDHCS to apply to the Federal government for a Medi-Cal waiver in order to implement reforms to the Medi-Cal Program. These reforms include utilizing managed care or other specialized delivery systems of care for vulnerable populations including seniors, people with disabilities, children with significant medical needs, and people with behavioral health problems. The waiver is intended to restructure care for these populations to increase access to better coordinated and integrated care, improve health outcomes, and slow long-term growth of the Medi-Cal program. Restructuring will also seek to improve coordination between Medicare and Medi-Cal, improve integration of physical and behavioral health care, and use medical homes and specialty centers for children with significant medical needs.

DHS indicates that this proposal would provide the authority to negotiate the next State Medi-Cal Waiver which would be effective September 1, 2010, and is central to strengthening California's health care safety net. There is insufficient information to estimate the impact of this proposal on Medi-Cal reform or the impact of requiring seniors and persons with disabilities to enroll in a Medi-Cal Managed Care Plan. The Department of Public Health (DPH) notes that it is too early to determine the impact of this proposal on the Department's California Children's Services Program (CCS) or the Medical Therapy Program.

Disproportionate Share Hospitals. ABX4 5, the Health Omnibus Budget Trailer Bill, adopts the May Revision proposal to reduce payments to private Disproportionate Share Hospitals by 10 percent (\$18.4 million State General Fund savings) and also reduces the Distressed Hospital Fund by \$23.9 million (State General Fund). **DHS indicates that the reduction of payments to private Disproportionate Share Hospitals will affect the Department and is in the process of determining the impact. The reduction to the Distressed Hospital Fund does not affect DHS.**

Healthy Families Program. The FY 2009-10 Final Legislative Budget rejects the May Revision proposal to eliminate the Healthy Families Program (HFP) and to reduce program eligibility from 250 to 200 percent of the Federal poverty level, and instead reduces \$124 million in General Fund support for HFP. The agreement also adopts the May Revision proposal to eliminate \$2.7 million in State General Fund support for Certified Application Assistance for the Medi-Cal/Healthy Families joint application.

DHS indicates that those children no longer eligible for HFP coverage are likely to be eligible for Medically Indigent Medi-Cal with a share of cost; however, there is insufficient information to determine the cost of this proposal. DPH notes that currently nearly one million children are enrolled in the HFP statewide and over one-third of all HFP enrollees are from Los Angeles County. **The newly imposed wait list for the HFP will deny health care coverage to approximately 83,898 Los Angeles County children and another 113,341 currently enrolled children would be likely to lose coverage from November 2009 through June 2010. It is not possible to determine how many children currently enrolled in HFP are receiving CCS assistance. The HFP CCS program is entirely State and Federally funded, with no County share of cost. Children disenrolled from HFP CCS would very likely become eligible for straight CCS with a 50 percent County share of cost.**

Adult Day Health Care. ABX4 5, the Health Omnibus Budget Trailer Bill, rejects the May Revision proposal to eliminate Adult Day Health Care (ADHC) benefits and adopts reforms to ADHC programs including a temporary three-day cap, minimum standards on medical necessity and a workgroup to implement them, on-site Treatment Authorization Requests, and anti-fraud measures for approximately \$25 million in State General Fund savings.

Mental Health

Mental Health Managed Care. The FY 2009-10 Final Legislative Budget reduces Mental Health Managed Care for an estimated State General Fund savings of \$113 million, which is an increase from the savings of \$92 million estimated in the May Revision for reductions proposed to both Mental Health Managed Care and the Early and Periodic Screening, Diagnosis, and Treatment Services Program. **Based on this revised figure, the Department of Mental Health (DMH) estimates that this action will result in a County loss of \$36 million.**

Supplemental Mental Health Payments. ABX4 5, the Health Omnibus Budget Trailer Bill, establishes a Certified Public Expenditure (CPE) process for County Mental Health Plans to obtain increased Federal reimbursement for certain expenditures within the Medi-Cal Program for mental health services. **DMH indicates that the CPE proposal would result in an estimated \$5.53 million in additional funding for County mental health services.**

Deferral of AB 3632 Mandate to Counties. The FY 2009-19 Final Legislative Budget includes the May Revision proposal to defer 50 percent of the State's payment to counties for AB 3632 claims, for a total of \$52 million. The LAO indicated that this proposal would underfund the mandate to counties by \$108 million; and, if the State did not suspend the mandate, counties could file a lawsuit against the State and no longer be required to carry out the AB 3632 mandate. **DMH indicates that this proposal delays approximately \$12.4 million in reimbursements due to the County.**

Public Health

Maternal, Child, and Adolescent Health. The FY 2009-10 Final Legislative Budget rejects the May Revision proposal to eliminate all State General Fund support for Maternal, Child, and Adolescent Health (MCAH) programs but makes the following reductions: Black Infant Health Program (\$900,000), Adolescent Family Life Program (\$1.75 million), Local County Maternal and Child Health Grants (\$2.1 million) and MCAH State support (\$3.5 million). **DPH estimates that this proposal will result in a loss to the County's MCAH program of approximately \$266,000.** DPH would be likely to eliminate two public health nurse positions from the Prenatal Care Guidance program, a prenatal home visitation program for high risk women and infants, resulting in poorer health and birth outcomes. **According to DPH, the proposal also will result in an estimated loss of \$331,000 to the County's Black Infant Health Program.** DPH would be likely to eliminate one of two subcontracts with community based organizations that provide prenatal outreach services to high risk African-American women and infants, resulting in an increase in infant mortality and an increase in the disparity in health outcomes between African-Americans and other ethnicities in Los Angeles County.

Alzheimer's Research Centers. The FY 2009-10 Final Legislative Budget reduces State General Fund support for the Alzheimer's Research Centers of California by 50 percent, from \$6.2 million to \$3.1 million. **There is no impact to the County.**

AIDS Drug Assistance Program and other Office of AIDS Programs. The FY 2009-10 Final Legislative Budget rejects the May Revision proposal to reduce the AIDS Drug Assistance Program and other Office of AIDS Programs by \$80 million but reduces these programs to achieve \$35 million in State General Fund savings. **DPH indicates that although this proposal would mitigate many of the anticipated cuts to HIV/AIDS programs, it would result in an estimated total loss of \$3.7 million to the County and local agencies with which the County partners to provide services.** DPH estimates the loss to AIDS Education and Prevention Programs to be \$1.28 million, the County's contracted providers would lose approximately \$3 million in vouchers for the Therapeutic Monitoring Program, and the estimated loss to the Home and Community- Based Care program would be \$170,000. DPH is concerned that the Governor may intend to veto some portion of this funding.

Drug Medi-Cal. ABX4 4, the Human Services Omnibus Budget Trailer Bill, approves the May Revision proposed reduction of Drug Medi-Cal rates by 10 percent for a General Fund savings of \$8.8 million. **DPH estimates that this action will result in a loss of \$7.1 million to the County, including Federal funds.**

Proposition 36 and Offender Treatment Program. The FY 2009-10 Final Legislative Budget approves the May Revision proposal to eliminate \$90 million in State General Funds for the Proposition 36 Substance Abuse and Crime Prevention Act and rejects the proposal to reduce \$18 million in State General Funds for the Offender Treatment Program (OTP). Federal Edward Byrne Memorial Justice Assistance Grant funds are

expected to be used to provide similar services to make up about half of the reduction that is sustained here. **DPH indicates that the proposal to eliminate Proposition 36 funds will result in a loss to the County of \$22.1 million, which will result in the elimination of services to 10,526 clients, and may require the termination of contracts with as many as 11 providers. If the backfill of Federal funds occurs, the loss to the County would be reduced to approximately \$11 million. It is unclear if the County would be eligible for OTP funds.**

Social Services

CalWORKs Single Allocation Reduction. The Governor's May Revision included \$230 million in additional funding for the CalWORKs Single Allocation to cover the substantial caseload growth due to the current recession. ABX4 4, the Human Services Omnibus Budget Trailer Bill, reduces funding for the CalWORKs Single Allocation statewide by \$375 million from the funding level proposed in the May Revision. **The Department of Public Social Services (DPSS) estimates the County share of the reduction is \$114.2 million in FY 2009-10.** Because the FY 2009-10 County Budget does not reflect the proposed May Revision funding level, the reduction to the DPSS budget would be an amount less than \$114.2 million.

Additional CalWORKs Reduction. The FY 2009-10 Final Legislative Budget reduces statewide funding for the CalWORKs Program by \$153 million; however, details of the proposed reduction are unknown. Therefore, this office and DPSS are unable to determine the potential impact to the County at this time.

County Access to TANF Emergency Contingency Funds (ECF). ABX4 4, the Human Services Omnibus Budget Trailer Bill, approves the Conference Committee action to enable counties to access TANF ECF for subsidized employment, short-term non-recurring benefits for CalWORKs and other low-income families and supplemental basic assistance for CalWORKs families. This authorizes the use of \$365 million in Federal spending authority in FY 2009-10.

CalWORKs Eligibility. ABX4 8, the CalWORKs Reforms and COLA Suspensions Budget Trailer Bill, makes the following policy changes to the CalWORKs Program effective July 1, 2011:

- **Increases Sanctions for Noncompliance.** Allows for deeper grant reductions for families that are not in compliance with the work participation requirements. Families that are not in compliance after a county intervention would be subject to a 25 percent grant reduction. If a family remained out of compliance, the sanction would increase to 50 percent of the total grant amount.
- **Self-Sufficiency Reviews.** Requires counties to conduct a self-sufficiency review six months after the determination of eligibility and after each annual redetermination.

- **Time Limit Changes.** Limits continuous eligibility for CalWORKs to 48 months. After this period, the adult grant and CalWORKs services may not be provided for at least 12 months. Maintains the current lifetime limit of 60 months of benefits.
- **Families on CalWORKs for more than 60 Months.** All families that have been on aid for more than 60 months will see their children portion of the grant reduced by 25 percent, unless the family can demonstrate that they have met the work participation requirements or are exempt from them. Counties would be required to conduct an intensive assessment of these families.

Centralized Eligibility Determination. ABX4 7, the Centralized Eligibility for Public Assistance Programs Budget Trailer Bill, authorizes the Administration to develop a comprehensive plan to contract out a centralized eligibility system for CalWORKs, Medi-Cal, and Food Stamps. The State would be required to develop the plan in consultation with a stakeholder steering committee consisting of representatives from advocacy organizations, counties, the California State Association of Counties, and legislative staff. The plan would include technical requirements, cost-benefit analysis including risks, analysis of State and local costs, project timelines, recommendations for other health or social services programs that should be added to the process, need to obtain Federal waivers, project budget, procurement strategy and process, and a transition plan for phasing in the statewide system. Implementation of a centralized eligibility system would be contingent on the Legislature's approval of the comprehensive plan and a budget appropriation. This office and DPSS are analyzing this legislation to determine the impact to the County.

In-Home Supportive Services (IHSS) – Reduction of Recipient Services. The FY 2009-10 Final Legislative Budget eliminates IHSS domestic and related services for recipients who require minimal assistance, with no reduction for consumers receiving paramedical services, protective supervision, and/or at least 120 in overall IHSS service hours per month. **DPSS estimates this would result in an estimated annual net County cost savings of \$8.3 million.** The Budget Agreement also eliminates all IHSS services for recipients who are the least functionally impaired, except for those with paramedical services or protective supervision and/or at least 120 in overall IHSS service hours per month. **DPSS estimates this would result in an estimated annual net County cost savings of \$2.5 million.** DPSS is working to determine the number of IHSS consumers who would be impacted by these service reductions.

IHSS Program Integrity. ABX4 19, the IHSS Reforms Budget Trailer Bill, requires IHSS providers to undergo criminal background checks, IHSS consumers to be fingerprinted to determine duplicate aid, requires County social workers to conduct unannounced home visits for certain high-risk cases, establishes a civil penalty for timesheet fraud, requires IHSS providers to sign an acknowledgment of program rules, and requires in-person verification of provider identification documentation by a County worker. The bill includes initiatives to enhance IHSS fraud detection and prevention by requiring counties to train staff in additional fraud-prevention activities, making targeted

mailings to IHSS providers, and limiting the ability of IHSS providers to receive a check at a post office box. The measure provides \$10 million for local anti-fraud investigations and activities and funding for State IHSS fraud investigators; however, it does not appear to cover costs of fingerprinting IHSS consumers as well as several other provisions. This office is working with DPSS to develop a more detailed analysis of all these provisions including the fiscal impact to the County.

Reduction in Foster Care Rates. ABX4 4, the Human Services Omnibus Budget Trailer Bill, approves the May Revision proposal to reduce provider rates for Group Homes, Foster Family Agencies, Supplemental Clothing Allowance, and Specialized Care Increment by 10 percent, but rejects the proposal to reduce the Supplemental Clothing Allowance and the Specialized Care Increment rates by 10 percent for a State General Fund savings of \$26.6 million. **According to the Department of Children and Family Services (DCFS), this action results in an estimated savings of \$8 million to Waiver programs, and savings of \$4.3 million for non-Waiver programs for a total of \$12.3 million savings in FY 2009-10.**

Adoption Assistance Program (AAP). ABX4 4, the Human Services Omnibus Budget Trailer Bill, approves the Conference Committee action to tie increases in AAP payments based on need, for a State General Fund savings of \$900,000. **DCFS estimates that this will result in an estimated County savings of \$100,000.**

Transitional Housing Program Plus (THP-Plus). The FY 2009-10 Final Legislative Budget reduces funding for THP-Plus by \$5 million. This program provides supportive services to assist emancipated foster youth to successfully transition to adulthood. **DCFS indicates that this would result in an estimated annual County loss of \$314,000.**

Community-Based Services Programs. The FY 2009-10 Final Legislative Budget approves reductions of \$1.2 million to Alzheimer's Day Care Resource Centers and \$2.5 million to the Linkages Program. **Community and Senior Services indicates that this will result in estimated annual losses of \$21,000 for Respite Purchase of Services, \$182,000 for Alzheimer's Day Care Resource Centers, \$150,000 for the Linkages Program, and \$26,000 for the administration of these programs for a total estimated annual loss of \$379,000 to the County.**

Statewide Finger Imaging System (SFIS). The FY 2009-10 Final Legislative Budget restores funding for SFIS, which was eliminated by the Conference Committee.

Additional Social Services Budget Issues of Interest to the County. The FY 2009-10 Final Legislative Budget rejects the Governor's proposals to:

- Eliminate CalWORKs, the Cash Assistance Program for Immigrants, and the California Food Assistance Program;
- Reduce the CalWORKs grants by 6 percent;
- Make significant reductions in IHSS recipient services;

- Limit State participation in IHSS provider wages to the State minimum wage rate;
- Redirect County Social Services Realignment Funds using savings from the elimination of CalWORKs and reductions to IHSS; and
- Reduce County funding for Child Welfare Administration by 10 percent.

Child Care

Child Care Recruitment/Retention Incentive Program. The FY 2009-10 Final Legislative Budget adopts County-sponsored budget trailer bill language to eliminate the June 30, 2009 sunset date and to permanently expand the County's Child Care Recruitment/Retention Incentive Program, which provides educational stipends for child care providers in licensed family child care and child care centers that do not hold contracts with the California Department of Education.

CalWORKs Child Care. The FY 2009-10 Final Legislative Budget fully funds CalWORKs Child Care Programs.

Family Fees. The FY 2009-10 Final Legislative Budget rejects the Governor's proposal to increase child care fees low-income families from \$2.00 per day to \$4.00 per day.

Regional Market Rate. The FY 2009-10 Final Legislative Budget maintains reimbursement rates for child care providers at the current maximum of the 85th percentile of the 2005 Market Reimbursement Rate.

Justice and Public Safety

Judicial Branch Reductions. SBX4 13, the Public Safety/Courts Budget Trailer Bill, approves a \$169 million reduction to the Judicial Branch, in addition to previous cuts that totaled approximately \$414 million. The additional reduction would require the implementation of a one-day per month court closure, redirection of funds designated for court initiatives such as information technology projects and construction, utilization of trial court reserves, and various increases to court fees. **The Sheriff's Department indicates that this proposal would result in a County loss of \$8 million due to the reduction in courtroom security services related to the court closure, and a loss of \$4.6 million due to the elimination of the reimbursement of retiree health care costs for court security personnel. The Public Defender's Office notes major concerns with the court furlough proposal, indicating that it will result in unforeseen costs at the local level as well as constitutional violations of a criminal defendant's right to a speedy trial.**

Corrections. The FY 2009-10 Final Legislative Budget approves solutions for the California Department of Corrections and Rehabilitation (CDCR) resulting in a State General Fund savings of \$1.2 billion; however, specific trailer bill language will not be drafted until August. **Any proposal which would reduce the oversight of the CDCR over State inmates is of particular concern because it would be likely to result in a shift of responsibility and costs to the County.**

Environment and Natural Resources

State Parks System. The FY 2009-10 Final Legislative Budget reduces State General Fund support for the State parks by \$8 million which would result in the closure of up to 50 State parks. Parks subject to closure would be determined through a cost benefit analysis conducted by the California Department of Parks and Recreation.

Santa Barbara Coast Oil Lease. ABX4 23, the Tranquillon Ridge Budget Trailer Bill, which would have authorized the State to enter into a lease for the extraction of oil from State-owned tidelands in the coastal area off the Santa Barbara coast for an estimated \$100 million in State General Fund revenue in FY 2009-10, failed to pass the Assembly by a vote of 43 to 28.

Exposition Park Improvement Fund. The FY 2009-10 Final Legislative Budget authorizes a transfer of \$2.8 million from the Exposition Park Improvement Fund to the State General Fund. According to the Natural History Museum, this may have a significant impact on the ability of the State to maintain and to fund any future needed improvements for the benefit of all institutions in the park in future years.

Elimination of the California Integrated Waste Management Board (CIWMB). The FY 2009-10 Final Legislative Budget adopts the Governor's proposal to eliminate the CIWMB and transfer its powers and duties to the new Department of Resource Recycling and Recovery. The Department of Conservation would also be merged into the new Department of Resource Recycling and Recovery under the Division of Recycling.

The Department of Public Works (DPW) indicates that the new Department may hold hearings as necessary to carry out its powers and duties, but would not be required to hold monthly meetings like the CIWMB. Although DPW is concerned about adequate stakeholder and public participation, it does not appear that this proposal would impact the various grant programs in which DPW competes for funding from the CIWMB.

Transportation

Reduction of Local Share of Gasoline Excise Tax. ABX4 30, the Highway Users Tax Account Budget Trailer Bill, which would have diverted local share of gasoline excise tax disbursements from cities and counties in FY 2009-10 and FY 2010-11 from the Highway Users Tax Account, died on the Assembly Floor. According to the Department of Public Works (DPW), this measure would have resulted in a loss of gasoline tax revenue to the County of approximately \$87 million in FY 2009-10 and \$86 million in 2010-11, for a combined total loss of approximately \$173 million.

HUTA Deferral. ABX4 16, the Cash Management and Deferrals Budget Trailer Bill, defers HUTA payments from July through December 2009 until after January 2010, which DPW estimates will result in a delayed gas tax payment to the County of approximately \$58 million.

Proposition 42 Local Streets and Road Funds. The FY 2009-10 Final Legislative Budget adopts the Governor's proposal to defer two quarterly payments to counties of Proposition 42 funds to be repaid in May 2010. **According to DPW, the impact to the Department is a delayed payment to the County of approximately \$27 million for both quarters (\$13.5 million each quarter).**